GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:3343
ANSWERED ON:13.03.2003
PRIVATISATION OF T & D
SRINIVASULU KALAVA

Will the Minister of POWER be pleased to state:

(a) whether the high power committee set up by the Orissa Government has rejected the World Bank perception that the privatisation of transmission and distribution reduces losses;

(b) the details of the other recommendations of the Committee;

(c) whether the Government propose to suggest to `go slow` to those States which are vigorously following the policy of privatizing the power transmission and distribution;

(d) whether in the light of Committee`s recommendations, the Ministry of Powerwants to appoint a high powered committee to look into the issue from national perspective; and

(e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) to (e) : Government of Orissa constituted a Committee of independent expertswith Shri S. Kanungo as Chairman to review the power sector reforms in the State.

The main recommendations of the Committee are as follows :-

(i) Keep in abeyance the upvaluation of assets undertaken during the time of asset transfer as it has needlessly added to the cost of power and made the task of achieving commercial viability more difficult. Upvaluation in respect of Orissa Hydro Power Corporation (OHPC) needs to be set aside.

(ii) Arrange financial support during transition for financing the revenue gap till commercial viability is achieved.

(iii) Make OERC fully operational.

(iv) Key to revival of sector is in improving efficiency and bringing down costs. Launch as concerted drive to remove illegal connections such as hooking and effective measures to convert them into regular connections followed up by systematic billing and collection of energy charges. Police protection to be provided for teams carrying out drives to prevent unauthorised use of electricity. Ensure 100% consumer metering within a year.

(v) A Rural Electrification Planning Organization (REPO) should be set up to complete the work of rural electrification.

In the Conference of Chief Ministers/Power Ministers held in March2001, it was resolved inter alia that commercial viability has to be achieved in distribution in 2-3 years through any or all of the following :

- Creating Profit Centres with full accountability
- Handing over of local distribution to Panchayats/Local Bodies/Franchisees/Users Association, wherever necessary
- Privatisation of distribution
- Or any other means.

The Distribution Policy Committee constituted by the Government of Indiaunder the Chairmanship of Secretary (Power) in its report, taking into account the recommendations of Kanungo Committee, has recommended, inter alia, that :

(i) For privatisation to succeed, support of the State Government in the transition period has to be provided by ensuring that :-

- Government departments/agencies and municipal bodies are able to pay for their electricity bills and accept the commercial discipline that electricity cannot be supplied without timely payment.

- Governance and law enforcement support is provided for assisting the privatized utilities in bringing about the necessary change in deep- rooted attitudes among their employees as well as customers so that all energy flows are metered and audited and supply discontinued in the absence of timely payment.

(ii) The various stakeholders including the State Government need toacknowledge that privatisation may not result in commercially viable entities immediately and there would be a transition phase.